

Consolidated Financial Statements

GMP Capital Inc. (formerly GMP Capital Trust)

December 31, 2009 and 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, which consolidate the financial results of **GMP Capital Inc.** (the "Corporation"), were prepared by management, who are responsible for the integrity and fairness of all information presented in the consolidated financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2009. The consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. Financial information presented in the MD&A is consistent with that in the consolidated financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in note 2 of the consolidated financial statements. Management maintains a system of internal controls to meet its responsibilities for the integrity of the consolidated financial statements.

The board of directors (the "Board of Directors") of the Corporation appoints the Corporation's audit committee (the "Audit Committee") annually. Among other things, the mandate of the Audit Committee includes the review of the consolidated financial statements of the Corporation on a quarterly basis and the recommendation to the Board of Directors for approval. The Audit Committee has access to management and the auditors to review their activities and to discuss the external audit program, internal controls, accounting policies and financial reporting matters.

Ernst & Young LLP performed an independent audit of the consolidated financial statements, as outlined in the auditors' report contained herein. Ernst & Young LLP had, and has, full and unrestricted access to management of the Corporation, the Audit Committee and the Board of Directors to discuss their audit and related findings and have the right to request a meeting in the absence of management at any time.

"Kevin Sullivan"

Kevin Sullivan
Chief Executive Officer

"Christine Drake"

Christine Drake
Chief Financial Officer and Secretary

March 1, 2010

AUDITORS' REPORT

To the Shareholders of
GMP Capital Inc.

We have audited the consolidated balance sheets of **GMP Capital Inc.** (the "Corporation") as at December 31, 2009 and 2008 and the consolidated statements of income, comprehensive income, changes in shareholders' equity/unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

"Ernst & Young LLP"

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 1, 2010

GMP Capital Inc.**CONSOLIDATED BALANCE SHEETS**

As at December 31

(\$000)

2009**2008****ASSETS****Current**

Cash and cash equivalents	242,102	260,359
Securities		
Trading (note 4)	99,699	83,014
Available-for-sale	28,901	7,198
Equity accounted investment (note 5)	26,358	—
Receivable from		
Clients	410,805	234,463
Brokers	100,116	69,520
Other assets (note 7)	121,912	78,320
Total current assets	1,029,893	732,874
Deferred costs (note 9)	12	4,937
Future income taxes (note 18)	466	—
Equipment and leasehold improvements (note 10)	11,043	19,593
Employee and other loans receivable (note 11)	9,376	11,221
Goodwill and intangible assets (note 12)	97,715	104,536
Total assets	1,148,505	873,161

LIABILITIES AND SHAREHOLDERS'/UNITHOLDERS' EQUITY**Current**

Bank loans (note 14)	34,600	24,334
Obligations related to securities sold short (note 4)	9,375	6,309
Payable to		
Clients	435,630	390,962
Brokers	27,323	32,286
Issuers	117,931	42,701
Accounts payable and accrued liabilities	67,967	50,015
Dividends/distributions payable (note 15)	—	3,203
Other liabilities (note 16)	55,198	18,150
Total current liabilities	748,024	567,960
Long-term debt (note 17)	59,781	59,673
Future income taxes (note 18)	5,981	219
Agency fee obligation	—	414
Total liabilities	813,786	628,266
Non-controlling interest (note 19)	9,220	33,498
Shareholders'/unitholders' equity	325,499	211,397
Total liabilities and shareholders'/unitholders' equity	1,148,505	873,161

Commitments and contingencies (note 22)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

"Kevin Sullivan"

Director
Kevin M. Sullivan
Chief Executive Officer

"Stanley Beck"

Director
Stanley Beck
Chairman of the Board of Directors

GMP Capital Inc.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31 (\$000 and 000 shares/units, except per share/unit amounts)	2009	2008
REVENUE		
Investment banking	162,283	144,421
Commissions	95,839	107,304
Investment management and fee income	38,715	40,896
Principal activities	30,215	(27,960)
Interest	7,595	20,727
Other (note 24)	9,981	6,554
	344,628	291,942
EXPENSES		
Employee compensation and benefits	184,107	174,279
Selling, general and administrative (note 9)	59,748	57,015
Interest	8,353	12,124
Depreciation and amortization (note 10)	16,197	17,782
	268,405	261,200
OPERATING EARNINGS	76,223	30,742
Non-operating gain (note 25)	3,271	5,247
Goodwill impairment charge (note 12)	—	(10,683)
Income before income taxes and non-controlling interest	79,494	25,306
Income taxes (recovery) (note 18)	29,339	(658)
Net income before non-controlling interest	50,155	25,964
Non-controlling interest (expense) recovery	(7,020)	214
Net income	43,135	26,178
Preferred dividends	(2,856)	—
Net income available to common shareholders/unit holders	40,279	26,178
Weighted average number of common shares/units outstanding	62,686	60,932
Basic earnings per common share/unit (note 26)	\$0.64	\$0.43
Weighted average number of diluted common shares/units outstanding	67,831	64,304
Diluted earnings per common share/unit (note 26)	\$0.59	\$0.41
Dividends/distributions per common share/unit	\$0.20	\$1.338

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31 (\$000)	2009	2008
Net income	43,135	26,178
Other comprehensive loss, net of tax:		
Foreign currency translation of self-sustaining operations	(254)	(475)
Other comprehensive loss	(254)	(475)
Total comprehensive income	42,881	25,703

See accompanying notes to the consolidated financial statements.

GMP Capital Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'/UNITHOLDERS' EQUITY

As at and for the years ended December 31

	Preferred shares	Preferred shares	Common shares	Common shares	Fund units	Fund units	Exchangeable L.P. units	Exchangeable L.P. units	Share/unit loan receivables	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Shareholders'/ Unitholders' equity
(000)	#	\$	#	\$	#	\$	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2007	—	—	—	—	45,269	107,620	18,720	97,175	—	4,426	(904)	80,754	289,071
Foreign currency translation of self-sustaining operations	—	—	—	—	—	—	—	—	—	—	(475)	—	(475)
Issued under unit option plans (note 21)	—	—	—	—	71	729	—	—	—	(161)	—	—	568
Exchange of Exchangeable L.P. units into Fund units	—	—	—	—	2,016	10,655	(2,016)	(10,655)	—	—	—	—	—
Fund unit-based compensation expense (note 21)	—	—	—	—	—	—	—	—	—	4,878	—	—	4,878
Unit loan incentive arrangements (note 11)	—	—	—	—	—	—	—	—	(25,019)	—	—	143	(24,876)
Warrants issued - Fund units (note 20)	—	—	—	—	—	—	—	—	—	1,767	—	—	1,767
Cash distributions declared - Fund units (note 15)	—	—	—	—	—	—	—	—	—	—	—	(61,977)	(61,977)
Cash distributions declared - Exchangeable L.P. units (note 15)	—	—	—	—	—	—	—	—	—	—	—	(23,737)	(23,737)
Net income	—	—	—	—	—	—	—	—	—	—	—	26,178	26,178
Balance, December 31, 2008	—	—	—	—	47,356	119,004	16,704	86,520	(25,019)	10,910	(1,379)	21,361	211,397
Foreign currency translation gain on self-sustaining operations	—	—	—	—	—	—	—	—	—	—	(254)	—	(254)
Issued under share option plan (note 21)	—	—	46	464	—	—	—	—	—	(36)	—	—	428
Exchange of Exchangeable L.P. units into Fund units	—	—	—	—	592	2,491	(592)	(2,491)	—	—	—	—	—
Exchange of Exchangeable L.P. units into common shares	—	—	16,112	84,029	—	—	(16,112)	(84,029)	—	—	—	—	—
Exchange of Fund units into common shares	—	—	47,948	121,495	(47,948)	(121,495)	—	—	—	—	—	—	—
Exchange of Preferred L.P. units into preferred shares (note 20)	6,154	38,092	—	—	—	—	—	—	—	—	—	—	38,092
Issuance of common shares, net of issue costs	—	—	8,876	86,607	—	—	—	—	—	—	—	—	86,607
Preferred share issue costs	—	(1,655)	—	—	—	—	—	—	—	—	—	—	(1,655)
Preferred share redemption (note 20)	(6,154)	(38,092)	—	—	—	—	—	—	—	—	—	—	(38,092)
Preferred share redemption costs	—	1,655	—	—	—	—	—	—	—	—	—	(7,563)	(5,908)
Warrant issue costs (note 21)	—	—	—	—	—	—	—	—	—	(6)	—	—	(6)
Exercise of warrants (note 21)	—	—	10	68	—	—	—	—	—	(3)	—	—	65
Share/unit-based compensation expense (note 21)	—	—	—	—	—	—	—	—	—	4,420	—	—	4,420
Share/unit loans incentive arrangements (note 11)	—	—	—	—	—	—	—	—	3,060	—	—	323	3,383
Cash distributions declared - Fund units (note 15)	—	—	—	—	—	—	—	—	—	—	—	(4,736)	(4,736)
Cash distributions declared - Exchangeable L.P. units (note 15)	—	—	—	—	—	—	—	—	—	—	—	(1,670)	(1,670)
Common dividend declared (note 15)	—	—	—	—	—	—	—	—	—	—	—	(6,851)	(6,851)
Preferred dividends declared (note 15)	—	—	—	—	—	—	—	—	—	—	—	(2,856)	(2,856)
Net income	—	—	—	—	—	—	—	—	—	—	—	43,135	43,135
Balance, December 31, 2009	—	—	72,992	292,663	—	—	—	—	(21,959)	15,285	(1,633)	41,143	325,499

See accompanying notes to the consolidated financial statements.

GMP Capital Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(\$000)	2009	2008
OPERATING ACTIVITIES		
Net income	43,135	26,178
Add (deduct) items not involving cash		
Depreciation and amortization	16,197	17,782
Amortization of agency fees and private placement costs	2,278	1,809
Amortization of lease inducements	(457)	(374)
Future income tax expense (recovery)	7,070	(3,535)
Share/unit-based compensation expense	4,420	4,878
Transition assistance and other loan amortization	3,535	3,785
Goodwill impairment charge	—	10,683
Non-controlling interest expense (recovery)	7,020	(214)
Non-operating gain	(3,271)	(5,247)
Share of loss of equity accounted investee	1,519	—
Effect of foreign exchange on cash balances	(2,133)	(2,345)
	79,313	53,400
Net change in non-cash operating items <i>(note 29)</i>	(89,810)	51,004
Cash provided by (used in) operating activities	(10,497)	104,404
FINANCING ACTIVITIES		
Proceeds from (repayment of) bank loans	10,266	(666)
Proceeds from issuance of common shares and warrant exercises	87,724	568
Cash distributions paid on Fund units	(7,104)	(95,372)
Cash distributions paid on Exchangeable L.P. units	(2,505)	(37,691)
Cash dividends paid on common shares	(6,851)	—
Cash dividends paid on preferred shares	(2,856)	—
Increase (decrease) in non-controlling interest	1,636	(1,732)
Issuance of common equity of subsidiaries to non-controlling interests	—	38,092
Redemption of preferred shares for cancellation	(38,092)	—
Redemption costs	(5,908)	—
Common share issue costs	(624)	—
Warrant proceeds	—	1,908
Warrant issue costs	(6)	(141)
Cash provided by (used in) financing activities	35,680	(95,034)
INVESTING ACTIVITIES		
Investment in Richardson GMP Limited - common shares	(23,937)	—
Investment in Richardson GMP Limited - preferred shares	(15,500)	—
Loan to Richardson GMP Limited	(5,000)	—
Purchase of equipment and leasehold improvements	(672)	(7,555)
Purchase of application software	(464)	(209)
Pre-operating expenditures	—	(250)
Cash used in investing activities	(45,573)	(8,014)
Effect of foreign exchange on cash balances	2,133	2,345
Net increase (decrease) in cash and cash equivalents	(18,257)	3,701
Cash and cash equivalents, beginning of year	260,359	256,658
Cash and cash equivalents, end of year	242,102	260,359
Supplemental cash flow information		
Interest paid	8,223	11,952
Income taxes paid	4,152	7,937

See accompanying notes to the consolidated financial statements.

GMP Capital Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars and 000 shares, except per share amounts)

December 31, 2009 and 2008

1. ORGANIZATIONAL STRUCTURE

GMP Capital Inc. (the "Corporation") was incorporated under the laws of the Province of Ontario on March 16, 2009 for the purpose of participating in the plan of arrangement to convert GMP Capital Trust (the "Fund") from an income trust to a corporation (the "Conversion"). On May 8, 2009, the Fund's unitholders approved the plan of arrangement and the Conversion was completed on May 15, 2009.

All references to "units" refer collectively to the trust units of the Fund ("Fund units") and the Class B limited partner units ("Exchangeable L.P. units") issued by Griffiths McBurney L.P. ("GMP Holding Partnership"). GMP Holding Partnership is a limited partnership and indirect subsidiary of the Corporation. All references to "Fund unitholders" refer to holders of Fund units. All references to "unitholders" refer collectively to the Fund unitholders and holders of Exchangeable L.P. units. All references to "GMP Preferred" refer to GMP Preferred L.P. All references to "GMP" refer to the Corporation, together with the operations consolidated and controlled by it and its predecessor.

The Corporation is comprised of the following three business segments: "Capital Markets", "Wealth Management" and "Alternative Investments" and a "Corporate" segment. All references to "Capital Markets" refer to the investment banking, equity research and sales and trading capabilities of the Corporation, which are provided by the following main operating subsidiaries: GMP Securities L.P. ("GMP Securities"), Griffiths McBurney Corp. ("GMP USA") and GMP Securities Europe LLP ("GMP Europe"). All references to "Wealth Management" refer to the operations of GMP Private Client L.P. ("GMP Private Client") up to November 11, 2009, and on and after November 12, 2009 refer to GMP's non-controlling ownership interest in Richardson GMP Limited ("Richardson GMP"), a full-service wealth management firm which was formed through the combination of the respective wealth management businesses of James Richardson & Sons, Limited ("JRSL") and GMP in 2009. All references to "Alternative Investments" refer to the investment management and advisory services provided by EdgeStone Capital Partners, L.P. ("EdgeStone") and GMP Investment Management L.P. ("GMP Investment Management"). EdgeStone manages the assets of its investors and clients through limited partnerships referred to herein as "EdgeStone Funds". Investors and clients own their interests in the underlying "portfolio companies" through limited partnership interests in the various EdgeStone Funds. GMP Investment Management acts as an investment advisor and portfolio manager to private funds and other investors. All references to "Corporate" include inter-segment eliminations and other enterprise-wide amounts not specifically allocated to the three business segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the assets and liabilities and results of operations of all subsidiaries and variable interest entities ("VIEs") for which the Corporation is the primary beneficiary, after elimination of inter-company transactions and balances. When the Corporation does not own all of the equity in a subsidiary, the non-controlling interest is disclosed in the consolidated balance sheets as non-controlling interest and the income accruing to minority interest holders, net of tax, is disclosed as a separate line item in the consolidated statements of income. These consolidated financial statements have been prepared using the continuity of interest method of accounting for the assets, liabilities and operations of the Corporation and reflect GMP as a corporation subsequent to May 14, 2009 and as an income trust prior to the Conversion.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars and 000 shares, except per share amounts)

December 31, 2009 and 2008

Business combinations, goodwill and intangible assets

Business combinations are accounted for using the purchase method. Goodwill represents the excess of the price paid for the acquisition of subsidiaries over the fair value of the net identifiable assets acquired, and is assigned to reporting units. A reporting unit is comprised of business operations with similar economic characteristics and strategies, and is defined by Canadian GAAP as the level of reporting at which goodwill is tested for impairment and is either a business segment or one level below. Goodwill is evaluated for impairment annually or more frequently if events or circumstances suggest that there may be impairment. If the carrying value of a reporting unit exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the reporting unit. Any impairment of goodwill is expensed in the period in which the impairment is identified. Subsequent reversals of impairment are prohibited.

Identifiable intangible assets are amortized over their estimated useful lives on a straight-line basis. Identifiable intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that an asset's carrying value may not be fully recoverable.

Use of estimates

The preparation of these consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are made based on information available as at the date of issuance of the financial statements. Accordingly, actual results may differ from these amounts. Accounting policies that require management's judgment and estimates are discussed below .

The determination of future income taxes is subject to uncertainty as to the timing and rates at which temporary differences are expected to reverse. The value of the Corporation's share-based compensation expense and outstanding warrants depend on option-pricing valuation models, which by their nature are subject to measurement uncertainty. Trading securities, obligations related to securities sold short, available-for-sale securities and equity accounted investments involve the use of judgement to estimate fair values when quoted market prices are not available. The carrying value of goodwill and intangible assets arising from business acquisitions is based on fair value estimates and management may engage the assistance of outside experts to assist with this process. Management exercises judgement in the selection of the approach to determining fair value and any assumptions necessary, which may affect the initial and ongoing fair value of the acquisition and any resulting impairment adjustments. Management must also exercise judgement in identifying, valuing and determining the useful life of intangible assets acquired through acquisitions. Management must also make judgements regarding the need for contingent litigation loss provisions based on an assessment of the likelihood of any adverse judgements or outcomes to these matters, as well as the potential range of probable costs and losses. The assessment of whether a VIE requires consolidation in the Corporation's financial position and results of operations requires that management make estimates relating to various factors in the calculation of expected residual gains and expected losses in the determination of the primary beneficiary of any VIE. The Corporation establishes an allowance for credit losses based on management's estimate of probable unrecoverable amounts. Judgement is required as to the timing of establishing an allowance for credit losses and the amount of the required specific allowance.

Foreign currency translation

GMP Europe is considered financially self-sustaining and operationally independent. Accordingly, assets and liabilities of GMP Europe that are denominated in foreign currencies are translated into Canadian dollars using the rate in effect on the date of the consolidated balance sheets. Revenue and expenses are translated at the average rate for the reporting periods. Translation gains and losses are deferred in a separate component

GMP Capital Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars and 000 shares, except per share amounts)

December 31, 2009 and 2008

of shareholders' equity, accumulated other comprehensive income (loss), until there has been a realized reduction in the underlying investment.

All other foreign currency denominated amounts, including those of all other foreign subsidiaries that are considered integrated foreign operations, are translated into Canadian dollars using average rates for the year for items included in the consolidated statements of income, the rate in effect at the date of the consolidated balance sheets for monetary assets and liabilities, and historical rates for other items. Translation gains or losses are included in the determination of net income for the year.

Consolidation of variable interest entities

The Corporation has adopted the requirements of the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, *Consolidation of Variable Interest Entities* ("AcG-15"). AcG-15 requires disclosure of significant variable interests the Corporation may have in VIEs for which it is not the primary beneficiary and thus not required to consolidate. AcG-15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. The primary beneficiary is defined as the entity that is exposed to a majority of the VIE's expected losses or is entitled to a majority of the VIE's expected residual returns. The primary beneficiary is required to consolidate the VIE.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit and cash equivalents, which include short-term, interest-bearing treasury bills and bankers' acceptances with maturities of less than three months at the date of purchase. Cash equivalents are recorded at cost, which approximates fair value.

Securities

Trading

Trading securities are securities that are purchased for sale in the near term and securities designated as held-for-trading. Trading securities include equity and debt securities, broker warrants, the Corporation's investment in the GMP Diversified Alpha Fund ("Alpha Domestic Fund") and certain privately held securities. These securities are measured at fair value and unrealized gains and losses are included in income in the period in which they arise. Where applicable, the fair value of trading securities is based on quoted market prices. For broker warrants, the Corporation's investment in the Alpha Domestic Fund and certain privately held securities, fair value is estimated on the basis of pricing models or other appropriate methods. Trading securities inventory is recorded on a trade-date basis on the consolidated balance sheets. Certain securities owned have been pledged as collateral for securities borrowing transactions.

Available-for-sale securities

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are measured at fair value with the difference between fair value and amortized cost recorded in other comprehensive income, net of tax, until sold at which time the latter difference is recognized in income for the year. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Available-for-sale securities include the Corporation's investments in EdgeStone Funds, preferred share investments in Richardson GMP and other privately held equity securities. These securities do not have a

GMP Capital Inc.

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quoted market price and are reported at cost with write-downs to reflect other-than-temporary impairment in value.

Obligations related to securities sold short

Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and are classified as held-for-trading. These liabilities are measured at fair value based on quoted market prices, where available.

Loans and receivables

Loans and receivables are recorded at amortized cost.

Client balances

Client security transactions are entered into on either a cash or margin basis and are recorded on the trade date of the transaction. Amounts are due from clients on the settlement date of the transaction for cash accounts. For margin accounts, the Corporation may extend credit to a client to purchase securities. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. Amounts loaned to any client are limited by margin requirements of the Investment Industry Regulatory Organization of Canada ("IIROC") and are subject to the Corporation's credit review and daily monitoring procedures. Interest on margin loans and payables to clients is based on a floating rate.

Equity accounted investments

When the Corporation has the ability to exert significant influence over an investee company, the Corporation's share of earnings or losses, gains and losses realized on disposition, and write-downs to reflect other-than-temporary impairment in the value from its investment, is reported in other revenue. An interest in excess of 20% of the voting shares of an investee would generally indicate that the Corporation has significant influence over that investee.

Securities lending and borrowing

Securities borrowed and securities loaned are carried at the amounts of cash collateral delivered and received in connection with the transactions and are recorded in receivable from brokers and payable to brokers, respectively, on the consolidated balance sheets. Securities borrowing transactions require the Corporation to deposit cash, letters of credit or other collateral with the lender. For securities lending transactions, the Corporation receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of the securities loaned. Interest earned and paid on cash collateral is based on a floating rate and is recorded as interest revenue and interest expense, respectively.

Transaction costs

Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and amortized to expense using the effective interest rate method.

GMP Capital Inc.

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Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is recorded as follows:

Furniture and equipment	20% declining balance
Computer equipment	30% declining balance
Leasehold improvements	Straight-line over the lease term

Revenue recognition

Investment banking revenue consists of fees earned from underwriting activities, mergers and acquisitions and other corporate finance advisory assignments. Revenue is recorded when the underlying transaction is substantially completed under the terms of the engagement. Syndicate expenses related to securities offerings in which GMP Securities or GMP Europe acts as an underwriter or agent are deferred until the related revenue is recognized.

Commissions consist of revenue generated primarily from acting as agent for trading securities on behalf of institutional clients. Commission revenue is recorded on a trade-date basis. Realized and unrealized gains and losses on securities purchased for client-related transactions are reported as net facilitation losses and recorded net of related commission revenues. Revenue from traditional commission-based brokerage services provided to retail clients relating to GMP Private Client has been included up to November 11, 2009.

Investment management and fee income consists primarily of fees earned through investment, advisory and asset management services provided by GMP Private Client (up to November 11, 2009), EdgeStone and GMP Investment Management and is recorded on an accrual basis as earned.

Principal activities include revenue earned on principal investments and revenue earned through proprietary trading of securities. Revenue earned on principal activities is recorded on a trade-date basis and includes interest, dividends and realized and unrealized gains and losses on trading securities held.

Interest revenue primarily includes interest earned on client margin loans, interest earned on the Corporation's own cash and cash equivalents balances and net interest earned on cash delivered in support of securities borrowing activity. Interest revenue is recognized on an accrual basis.

Other revenue includes performance fees, carried interest entitlements relating to the EdgeStone Funds, fees earned in support of carrying broker and other administrative services provided by GMP Securities to Richardson GMP, the impacts of foreign currency translation, the Corporation's share of income or loss from its equity accounted investments and other revenues. GMP Investment Management may earn performance fees when the investment returns of the GMP Diversified Alpha Master Fund, Ltd. (the "Alpha Master Fund") and the Genesis Partners Fund LP (the "Genesis Fund") exceed established benchmarks. Performance fees are not recognized in income until the amounts can be established with certainty. Carried interest entitlements are recorded when net cash proceeds on disposition of investments in the EdgeStone Funds are distributed. All other amounts recorded in other revenue are recorded on an accrual basis.

Share/unit-based compensation

The Corporation recognizes share/unit-based compensation expense in its consolidated statements of income for all share options and unit options vested during the year, with a corresponding increase to contributed surplus over the vesting period. The Corporation determines compensation expense based on the estimated

GMP Capital Inc.

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fair values of the share/unit options, at the grant date, the cost of which is recognized over the vesting periods of the options.

Income taxes

The Corporation uses the liability method of accounting for income taxes for GMP and its corporate subsidiaries that are subject to tax. Under this method, future income taxes of operating corporations are based on the difference between the accounting and income tax basis of an asset or liability, referred to as temporary differences. Temporary differences are tax effected using enacted or substantively enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax balances recorded on the consolidated balance sheets are adjusted to reflect changes in temporary differences and income tax rates with the adjustments being recognized in income in the year that the changes occur.

Net income per common share/unit

Net income per common share/unit is computed by dividing net income available to common shareholders/unitholders by the weighted-average number of common shares/units outstanding for the year reduced by the weighted-average number of common shares/units pledged by employees under the Corporation's share/unit loan programs.

The Corporation applies the treasury stock method to determine the dilutive impact of options and warrants, if any, assuming they were exercised in a reporting period. The treasury stock method assumes that all proceeds received by the Corporation when options and warrants are exercised will be used to purchase common shares at the average market price during the year.

3. CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

The CICA issued a new accounting standard, Handbook Section 3064, *Goodwill and Intangible Assets*, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. The new standard became effective for the Corporation beginning January 1, 2009. The CICA's Emerging Issues Committee ("EIC") Abstract No. 27, *Revenues and Expenditures During the Pre-operating Period*, became inapplicable once Handbook Section 3064 was adopted. The adoption of these standards did not have a material impact on the Corporation's financial position and results of operations.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the EIC issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173"). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty(ies) when determining the fair value of the financial assets and financial liabilities, including derivative instruments. EIC-173, which became effective for the Corporation on January 1, 2009, had no material impact on the Corporation's financial position or results of operations.

Financial Instruments - Disclosures

The CICA's Accounting Standards Board ("AcSB") amended the CICA Handbook Section 3862, *Financial Instruments – Disclosures*, to enhance the disclosure requirements regarding fair value measurement and the liquidity risk of financial instruments. The standard also requires disclosure of a three-level hierarchy for fair value measurement based upon the transparency of inputs to the valuation of an asset or liability as of the

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measurement date. The amendments became effective for the Corporation's 2009 annual consolidated financial statements. The disclosures are provided in note 27.

Future accounting changes

Business Combinations, Consolidated Financial Statements, and Non-controlling Interests

In January 2009, the CICA issued three new accounting standards: Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as an expense in the period they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions the Corporation complete on or after January 1, 2011 although adoption in 2010 is permitted to facilitate the transition to International Financial Reporting Standards ("IFRS") in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date; Section 1602 establishes standards for the accounting and presentation of non-controlling interests. These new standards must be adopted concurrently with Section 1582.

International Financial Reporting Standards

The CICA Accounting Standards Board has confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS. The new standards will be effective for the Corporation beginning January 1, 2011 and the Corporation will be required to provide information that conforms to IFRS for the comparative periods presented. The Corporation has established an IFRS implementation committee comprised of senior management, finance personnel and external advisors to oversee the conversion process and has developed a comprehensive plan to assess the impact the changeover to IFRS in 2011 will have on its consolidated financial statements. The Corporation is continuing to assess the financial reporting impacts of the adoption of IFRS.

4. TRADING SECURITIES AND OBLIGATIONS RELATED TO SECURITIES SOLD SHORT

Trading securities and obligations related to securities sold short consist of the following:

As at December 31,	2009		2008	
	Trading securities	Securities sold short	Trading securities	Securities sold short
Equity securities	66,118	8,527	61,446	2,076
Designated as held-for-trading	26,428	—	15,734	—
Corporate bonds and Government of Canada debt	2,927	848	5,834	4,233
Broker warrants	4,226	—	—	—
	99,699	9,375	83,014	6,309

Corporate bonds and Government of Canada debt maturities range from 2010 to 2108 and bear interest ranging from 3.65% to 13.0%.

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Valuation of securities

The designated as held-for-trading category represents the Corporation's investment in the Alpha Domestic Fund and certain other privately held securities. The valuation of the Alpha Domestic Fund investment is updated on a monthly basis using the net asset value reported by the third party administrator of the Alpha Domestic Fund. During 2009, the Corporation recorded an unrealized gain on the Corporation's \$20,000 investment in the Alpha Domestic Fund of \$6,157 (2008 – unrealized loss of \$4,266). Certain privately held securities designated as held-for-trading are reported at their fair value, which at the time of acquisition is based on cost and for ongoing measurement purposes, is estimated on the basis of pricing models or other appropriate methods. Unrealized and realized gains and/or losses associated with trading securities designated as held-for-trading are recorded in principal activities in the consolidated statements of income.

5. EQUITY ACCOUNTED INVESTMENTS

On November 12, 2009, GMP and JRSL completed the combination of their respective wealth management businesses, consisting of GMP Private Client and Richardson Partners Financial Limited (“RPFL”) (the “Transaction”), to form Richardson GMP. The formation of Richardson GMP resulted in the de-consolidation of GMP Private Client’s assets and liabilities from the Corporation’s results beginning November 12, 2009. Following the Transaction, the Corporation and JRSL each own a 35.3% interest in Richardson GMP with the remaining 29.4% ownership interest held by Richardson GMP’s investment advisors and management team.

The following table sets forth the calculation of GMP’s common share investment in Richardson GMP on November 12, 2009:

Subsidiary equity contributed	10,485
Cash consideration, net of adjustment	15,419
Issuance of common shares of GMP	262
Transaction costs	1,669
Total common share investment	27,835

The subsidiary equity contributed reflects both the closing date net book value of the Corporation’s investment in GMP Private Client and a dilution gain based on the difference between the fair value of GMP’s 64.7% ownership interest in GMP Private Client prior to the Transaction less the fair value of GMP’s 35.3% retained interest in the underlying GMP Private Client business following the Transaction.

GMP subscribed for 7,322 Class B common shares of Richardson GMP for \$23,937 in cash consideration. A negative valuation adjustment of \$8,518 has been recorded to reflect the fair value of Richardson GMP’s net assets on the date of the transaction was completed.

GMP purchased 106 Class A common shares of Richardson GMP from Richardson Financial Group Limited (“RFGL”) in consideration for 35 common shares of GMP issued from treasury.

On November 12, 2009, GMP subscribed for 21,204 preference shares of Richardson GMP for cash and non-cash consideration of \$15,500 and \$5,704, respectively, which remain outstanding at December 31, 2009 and are included in available-for-sale securities.

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6. VARIABLE INTEREST ENTITIES

EdgeStone Funds

EdgeStone is the manager of the EdgeStone Funds. The EdgeStone Funds are structured as limited partnerships in which the Corporation, through a subsidiary entity of the Corporation, holds general partner interests in the EdgeStone Funds and also owns limited partnership interests in the EdgeStone Funds which entitle the Corporation to participate in a portion of the carried interest of the EdgeStone Funds. These EdgeStone Funds are VIEs and have an aggregate total asset value of \$480,980 as at December 31, 2009 (2008 - \$596,287). As part of management's analysis of whether the EdgeStone Funds require consolidation in the Corporation's results, assumptions have been made regarding the future performance of assets held by the EdgeStone Funds, taking into account estimates of credit risk, estimates of the fair value of assets, timing of cash flows, and other significant factors.

Management has concluded that the Corporation is not the primary beneficiary of these EdgeStone Funds and, thus, is not required to consolidate these entities, with the exception of one fund. The Corporation consolidates the EdgeStone Capital Energy Fund-I, L.P. (the "Energy-I Fund") as GMP's investment expose the Corporation to a majority of the expected losses. The Energy-I Fund has a total asset value of \$5,324 as at December 31, 2009. The fair value of GMP Holding Partnership's investment in the Energy-I Fund represents 51.7% of the net asset value of the Energy-I Fund as at December 31, 2009.

Alpha Funds

The Corporation has a controlling financial interest in a subsidiary which owns GMP Investment Management. GMP Investment Management is the investment advisor and manager of the Alpha Master Fund and the Genesis Fund. GMP Investment Management and certain other subsidiaries of the Corporation serve in the capacity of manager and/or investment advisor and perform the management functions associated with certain private funds (the "Alpha Feeder Funds") designed to provide exposure to the return of the Alpha Master Fund. For its services to the Alpha Master Fund and the Genesis Fund, GMP Investment Management is entitled to receive monthly management fees calculated as a percentage of the net asset value of the Alpha Master Fund and the Genesis Fund and an annual performance fee when investment returns of the Alpha Master Fund and the Genesis Fund exceed established benchmarks.

The Alpha Master Fund and the Alpha Feeder Funds are VIEs and have an aggregate total net asset value of \$253,960, as measured by the net asset value of the Alpha Master Fund as at December 31, 2009. Management believes the maximum exposure to loss as a result of its involvement with these VIEs is limited to its subsidiaries' original investment in the Alpha Domestic Fund of \$20,000. GMP Holding Partnership's investment in the Alpha Domestic Fund provides GMP Holding Partnership exposure to the return of the Alpha Master Fund. The fair value of GMP Holding Partnership's investment in the Alpha Domestic Fund represents 8.62% of the net asset value of the Alpha Master Fund as at December 31, 2009. Although neither the Corporation nor any of its subsidiaries is the primary beneficiary, the Corporation and its employees and officers who are considered a related party group pursuant to AcG-15, together, hold a significant variable interest in the Alpha Domestic Fund.

The Genesis Fund has a net asset value of \$2,552 as at December 31, 2009. The Corporation has no investment in the Genesis Fund; however, its employees and officers, who are considered a related party pursuant to AcG-15, together hold a significant variable interest in the Genesis Fund.

Management has concluded that the Corporation is not the primary beneficiary of the Alpha Master Fund, the Alpha Feeder Funds or the Genesis Fund and is thus not required to consolidate these entities.

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7. OTHER ASSETS

Other assets consist of the following:

As at December 31,	2009	2008
Funds deposited in trust	67,680	53,225
Accounts receivable	27,881	10,653
Loans and other receivables	22,154	6,789
Prepaid expenses	2,459	3,080
Income taxes recoverable	1,245	4,573
Future income taxes	493	—
	121,912	78,320

Funds deposited in trust represent amounts held in trust for registered retirement savings plans and similar accounts. The related liability is included in payable to clients.

Accounts receivable primarily consist of accrued fee income related to investment banking activities and performance fees receivable from the Alpha Master Fund.

Loans and other receivables consist primarily of receivables from EdgeStone investors. Short-term funding for capital calls made by the EdgeStone Funds are often arranged and provided by EdgeStone on behalf of the investors, until permanent funds are received from the investors.

Loans and other receivables also include a \$5,000 subordinated loan provided by RGMP Holdings Corp., an indirect subsidiary of GMP, to Richardson GMP on December 30, 2009. The loan is unsecured, bears interest at prime plus 4% and is repayable on demand subject to the prior approval of the IIROC.

8. SECURITIES LENDING AND BORROWING

The Corporation engages in securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short-term in nature. These transactions are fully collateralized and subject to daily margin calls for any deficiency between the market value of the security loaned and the amount of collateral received. The Corporation manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions.

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
As at December 31, 2009	49,632	1,692	1,491	45,504
As at December 31, 2008	25,632	1,670	1,408	24,955

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9. DEFERRED COSTS

Deferred costs consist of the following:

As at December 31,	2009			2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Agency fees	5,752	5,740	12	5,598	3,286	2,312
Consulting fees	5,250	5,250	—	5,250	2,625	2,625
	11,002	10,990	12	10,848	5,911	4,937

Agency fees incurred by EdgeStone in connection with obtaining commitments from new investors in the EdgeStone Funds are deferred and amortized over the estimated life of the related EdgeStone Fund. Consulting fees relate to a consulting services agreement with a former officer of the Corporation, which have been fully amortized during 2009.

For the year ended December 31, 2009, included in selling, general and administrative expenses is \$4,799 in amortization (2008 - \$3,948) relating to deferred costs.

10. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

As at December 31,	2009			2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Furniture and equipment	9,517	5,155	4,362	12,651	5,355	7,296
Computer equipment	2,155	1,885	270	2,054	1,829	225
Leasehold improvements	11,562	5,151	6,411	17,520	5,448	12,072
	23,234	12,191	11,043	32,225	12,632	19,593

11. EMPLOYEE AND OTHER LOANS RECEIVABLE

Employee Loans Receivable

In connection with the Conversion, GMP Securities adopted an executive common share loan plan (the "GMP Securities Share Loan Plan") dated May 15, 2009 containing substantially the same terms and conditions as the GMP Securities amended and restated 2008 executive unit loan plan. Also, the Corporation adopted an executive common share loan plan (the "GMP Capital Share Loan Plan") dated May 15, 2009 containing substantially the same terms and conditions as the GMP Capital Trust third amended and restated executive unit loan plan.

Under the GMP Capital Share Loan Plan, GMP advances funds to participating executives and arranges for a Schedule I bank to advance funds to such executives, representing, in the aggregate, no more than 80% of the purchase price of GMP shares to be acquired in the market under the plan. GMP shares acquired pursuant to this arrangement are pledged by the executive to the bank and/or GMP as collateral against the loans. The

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principal amount owing to the bank must be repaid in full prior to repayment of the GMP loans. Upon the satisfaction of certain conditions, GMP is obligated to pay cash bonuses to the executives on the second, third and fourth anniversaries of an advance sufficient, in the aggregate and after all applicable income and withholding taxes, to repay 50% of the total loans.

Under the terms of the GMP Securities Share Loan Plan, GMP Securities advances funds to executives representing 100% of the purchase price of GMP shares. Upon the satisfaction of certain conditions, GMP Securities is obligated to pay cash bonuses to the executives on the fourth anniversary of the advance sufficient, in the aggregate and after all applicable withholding taxes, to repay 100% of the total loans advanced. The executive is required to repay the loan in the event of cessation of employment prior to the fourth anniversary. The GMP shares purchased by the executive are subject to an escrow arrangement.

As at December 31, 2009, the value of common shares pledged by the executives to a Schedule I bank and/or the Corporation under the GMP Capital Share Loan Plan and the GMP Securities Share Loan Plan (collectively, the "Share Loan Plans") was \$33,671 (2008 - \$15,494). As at December 31, 2009, there were no financial guarantees outstanding in relation to the obligations of any executives in the GMP Capital Share Loan Plan. Terms and conditions under which future advances will be made by the Schedule I bank under the GMP Capital Share Loan Plan include certain financial tests and negative covenants customary for transactions of this kind. As at December 31, 2009, the Corporation was in compliance with all covenants and financial tests established in connection with the GMP Capital Share Loan Plan.

Included in accounts payable and accrued liabilities as at December 31, 2009 is a bonus accrual of \$8,840 (2008 - \$4,226) in connection with the Corporation's obligation to pay cash bonuses, which will be allocated to the full or partial repayment of loans under the plans. The bank and the Corporation earn interest at rates of prime to prime plus 0.5%. Effective April 1, 2009, the interest rate on the Corporation's portion of the loans provided under the Share Loan Plans was temporarily reduced to 0.1%. On August 5, 2009, the Board of Directors approved an increase in the interest rate on the Corporation's portion of the loans to prime, effective September 1, 2009. As at December 31, 2009, amounts owing to the Corporation related to these loans were \$21,959 (2008 - \$25,019) and are included in share/unit loan receivables in shareholders'/unitholders' equity. Interest earned by the Corporation for the year ended December 31, 2009 related to these loans is \$323 and is recorded as an adjustment to retained earnings.

Other Loans Receivable

Loans associated with GMP Private Client's investment advisor transition assistance program of \$7,171 were de-consolidated following the completion of the transactions creating Richardson GMP. Under the investment advisor transition assistance program, GMP Private Client advanced funds to participating investment advisors in the form of a forgivable interest free loan upon commencement of their employment. For the period from January 1, 2009 to November 11, 2009, GMP Private Client recorded \$2,685 (year ended December 31, 2008 - \$2,967) in compensation expense and a corresponding reduction to loans outstanding pursuant to this program.

Immediately prior to the close of the Transaction, GMP advanced \$7,556 in funds to investment advisors and certain other individuals employed by GMP Private Client (the "Borrowers") to subscribe for additional common shares which were subsequently exchanged for shares of Richardson GMP in accordance with the terms of the Transaction. The funds advanced represent 100% of the purchase price of the shares. The loans bear interest at a variable rate, currently set at prime plus 4%. Dividends received by the Borrowers on their Richardson GMP shares (net of any tax liability) will be applied directly to the payment of interest and principal. Where certain restrictions on shareholdings apply, dividends received will be applied at a repayment rate of 100% and, in all other circumstances, 50% of dividends received will be directed to repayment. The Borrower is required to repay the remaining loan balance to GMP on the earlier of the seventh anniversary of grant, the date they cease to be an employee or when they cease to hold all of their shares.

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12. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets relate primarily to the Alternative Investments business segment and are comprised of the following:

As at December 31,			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Goodwill	71,286	—	71,286	65,448
Finite life intangibles				
Management contracts	46,500	27,195	19,305	27,079
Carried interest	23,300	17,500	5,800	10,557
Application software	2,601	1,507	1,094	1,121
Other	440	360	80	181
Indefinite life intangibles				
Trade name	150	—	150	150
	144,277	46,562	97,715	104,536

Amortization expense related to intangible assets for the year ended December 31, 2009 was \$13,093 (2008 - \$13,012) and is recorded in depreciation and amortization in the consolidated statements of income.

Addition to the carrying value of goodwill

On May 15, 2009, concurrent with the Conversion, the Corporation acquired the remaining 13.13% ownership interest in its subsidiary, GMP Holding Partnership, for total non-cash preferred share consideration of \$38,092. The purchase generated goodwill of \$5,838 which relates primarily to the Capital Markets business.

Reductions to the carrying value of goodwill

The Corporation recorded non-cash goodwill impairment charges totaling \$10,683 for the year ended December 31, 2008.

EdgeStone reporting unit

The impairment charge related to goodwill recorded in connection with the EdgeStone business acquisition on July 4, 2006 was \$9,831. The write-down of a portion of the carrying value of this goodwill reflects the impact of adverse equity market conditions experienced particularly during the last calendar quarter of 2008. These external market pressures caused an overall decrease in valuations of comparable businesses, which the Corporation uses to estimate the fair market value of the EdgeStone reporting unit.

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Geneva reporting unit

The impairment charge related to goodwill recorded in connection with the Corporation's September 2007 acquisition of the remaining 49.9% ownership interest in its subsidiary, Griffiths McBurney (Europe) S.A., of \$852. The write-down of this goodwill results from the decision to close the Geneva office as the Corporation has decided to service its European-based clients through its office in London, England.

These goodwill impairment charges are not deductible for Canadian income tax purposes and do not affect the Corporation's liquidity, cash flows from operating activities, financial debt covenants or future operations.

Intangible assets

Management contracts represent the entitlement of EdgeStone to receive management fees, calculated as a percentage of the committed capital throughout the commitment period established for the EdgeStone Funds and a percentage of invested capital thereafter. Carried interest represents a right of a partner of an EdgeStone Fund to participate in gains relating to the EdgeStone Funds. The valuation of management contracts and carried interest is based on existing EdgeStone Funds, including EdgeStone Capital Equity Fund III, L.P. ("Equity Fund III"), and excludes any EdgeStone Funds established subsequent to July 4, 2006.

Management contracts are amortized on a straight-line basis over the weighted-average remaining life of the EdgeStone Funds based on the estimated fair value of each EdgeStone Fund. Carried interest is amortized on a straight-line basis over the expected period of cash flow realization. The trade name intangible is considered to have an indefinite life and therefore is not subject to amortization. Intangibles include an office space lease, which is being amortized on a straight-line basis over the remaining lease term.

Below is a summary of the estimated useful lives of the Corporation's management contracts, carried interest and other intangibles related to the EdgeStone acquisition and the Corporation's amortization policy for application software:

Management contracts	6 years
Carried interest	3.4 to 4.0 years
Application software	50% declining balance
Other	4.3 years

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13. RELATED PARTY TRANSACTIONS

The following balances arose from transactions with related parties:

As at December 31,	2009	2008
Current assets		
Receivable from clients	70,257	45,025
Employee and other loans receivable	9,376	11,221
Trading securities	21,892	15,734
Available-for-sale securities	28,268	5,465
Other assets	31,289	9,298
Current liabilities		
Payable to clients	80,306	58,906
Other liabilities	22,423	6,208
Shareholders'/unitholders' equity		
Share/unit loan receivables	21,959	25,019

Receivables from clients and payables to clients represent transactions where the Corporation executes security trades on either a cash or margin basis for employees, directors and officers who may also be shareholders. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Corporation. Amounts loaned are limited by margin requirements of the IIROC and interest on margin loans is based on terms and conditions applicable to all clients.

Employee and other loans receivable include amounts receivable in connection with the following: loans provided to investment advisors and management employed by GMP Private Client immediately prior to the formation of Richardson GMP, loans provided to employees of EdgeStone to invest in the EdgeStone Funds under a co-investment program, forgivable loans made to the limited partners in connection with the establishment of GMP Europe and other employee loans. Share/unit loan receivables include loans associated with the Share Loan Plans.

Trading securities and available-for-sale securities reflect investments made by GMP Holding Partnership in the funds managed by GMP Investment Management and EdgeStone, respectively. Also included in available-for-sale securities is the Corporation's investment in preferred shares of Richardson GMP.

Richardson GMP has a General Services Agreement with the Corporation, whereby the Corporation provides Richardson GMP with trade execution, technology and administration services associated with GMP's role as carrying broker. The amount of fees earned by the Corporation relating to the aforementioned services during the year was \$1,434. Amounts payable to Richardson GMP include cash held by GMP in its role as carrying broker which relate to revenues earned by Richardson GMP.

14. BANK LOANS

GMP Securities has a \$17,500 subordinated loan facility outstanding with a Schedule I Canadian chartered bank at December 31, 2009 (2008 - \$17,500). During the period from January 1, 2009 to February 2, 2009, the subordinated loan bore interest at the prime rate plus 2%. As of February 3, 2009, the annual interest rate was increased to prime plus 4%. The subordinated loan facility is repayable on demand subject to the prior approval of the IIROC. GMP Securities was in compliance with the financial covenants associated with the subordinated loan as at December 31, 2009.

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The Corporation, through its subsidiaries, currently has credit facilities with Canadian banks and a European bank of approximately \$474,000 (2008 - \$323,000) in the aggregate. These facilities consist of call loans, letters of credit, daylight overdraft facilities, demand facilities and foreign exchange facilities.

GMP Securities and GMP Europe borrow money primarily to facilitate the securities settlement process for both client and proprietary transactions and EdgeStone engages in short-term borrowing to fund capital calls in the EdgeStone Funds until proceeds from permanent financings are received from investors. Interest on these facilities is at a rate of prime plus 1%. As at December 31, 2009, the Corporation had \$17,100 (2008 - \$6,834) outstanding under these facilities.

15. DIVIDENDS AND DISTRIBUTIONS

Common share dividends

Following the Conversion, the Board of Directors adopted a dividend policy with the intent to pay a quarterly dividend of \$0.05 per common share. The Corporation declared the following common share dividends in 2009:

Record date	Payment date	Cash dividend per common share	Total dividend amount
June 30, 2009	July 15, 2009	\$0.05	\$3,203
November 16, 2009	November 25, 2009	\$0.05	\$3,648

On March 1, 2010, the Board of Directors approved a cash dividend of \$0.05 per common share payable on March 19, 2010 to common shareholders of record on March 10, 2010.

Preferred share dividends

The Corporation declared the following preferred share dividends in 2009:

Record date	Payment date	Cash dividend per preferred share	Total dividend amount
June 30, 2009	July 20, 2009	\$0.1625	\$1,000
September 30, 2009	October 20, 2009	\$0.1625	\$1,000
December 18, 2009	December 18, 2009	\$0.1390	\$856

Unit distributions

Prior to the Conversion, the Fund made the following distributions to its holders of Fund units and Exchangeable L.P. units during 2009:

Record date	Payment date	Cash distribution per Fund and Exchangeable L.P. unit	Total distribution amount
January 30, 2009	February 20, 2009	\$0.05	\$3,203
February 27, 2009	March 20, 2009	\$0.05	\$3,203

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Cash dividends are discretionary and the Board of Directors of the Corporation, in its sole discretion, may withhold reasonable reserves having regard to current and anticipated business and regulatory capital requirements of the Corporation's operating subsidiaries.

16. OTHER LIABILITIES

Other liabilities consist of the following:

As at December 31,	2009	2008
Income taxes payable	22,040	420
Amounts payable to EdgeStone Funds and its investors	15,622	6,548
Amounts payable to Richardson GMP	7,177	—
Deferred fee income	4,367	4,705
Deferred lease inducements	1,900	3,308
Other	4,092	3,169
	55,198	18,150

Amounts payable to EdgeStone Funds and its investors primarily relate to realized sale proceeds on investments that will be distributed once certain conditions have been met.

Amounts payable to Richardson GMP consist of cash held by GMP Securities in its role as carrying broker which relate to revenues earned by Richardson GMP. These amounts are typically settled on a monthly basis.

Deferred fee income represents management fees which are received quarterly in advance from certain EdgeStone Funds. Management fees received in advance of services rendered are deferred until earned.

Deferred lease inducements relate to the Corporation's Toronto and Montreal offices. The lease inducements are being amortized on a straight-line basis over the term of the lease as a reduction to rent expense.

Other liabilities primarily includes the current portion of future income taxes of \$2,074 (2008 - \$32), while other liabilities in 2008 include the current portion of the EdgeStone agency fee obligation of \$1,656.

17. LONG-TERM DEBT

On November 1, 2006, GMP Holding Partnership issued \$60,000 in aggregate principal amount of senior unsecured notes (the "Notes") by way of private placement. The Notes consist of the following:

Notes	Maturity	Interest rate	December 31 2009	December 31 2008
Series A	November 1, 2011	7.308%	25,000	25,000
Series B	November 1, 2013	7.548%	35,000	35,000
			60,000	60,000
Deferred financing costs			(219)	(327)
			59,781	59,673

Interest expense recorded during the year on the Notes was \$4,695 (2008 - \$3,569).

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The Notes are redeemable, at any time in whole or in part, at the option of GMP Holding Partnership, subject to customary prepayment provisions. At any time when GMP Holding Partnership is not in default of any provisions related to the Notes, GMP Holding Partnership will be entitled to purchase the Notes for cancellation in the market or by tender or private contract. Upon the occurrence of a change in control event, GMP Holding Partnership will be required to offer to purchase the Notes. The terms of the Notes include negative covenants customary for transactions of this kind.

In February 2009, the Corporation received unanimous approval to amend the financial covenants associated with the Notes. The amendments became effective for the Corporation's fourth quarter 2008 reporting. The amendments resulted in changes to the definitions of "EBITDA" and "Total Interest Expense".

In consideration of the amendments to the covenant definitions, the Corporation and the Noteholders agreed to increase the interest rate on each of the Series A and Series B Notes by 150 basis points per annum, effective October 1, 2008, restrictions on certain indebtedness in fiscal 2009, and limits on repurchases of shares by the Corporation while the Notes remain outstanding. While any of the Notes remain outstanding, the Corporation is not permitted to purchase shares of GMP for consideration exceeding \$4,000 in the aggregate, in any period commencing on December 1 and ending on November 30 of the immediately succeeding calendar year. There has been no change to the outstanding balance, terms or covenants associated with the Notes during fiscal 2009.

As at December 31, 2009, the Corporation is in compliance with all financial covenants associated with the Notes.

18. INCOME TAXES

Current income taxes

Prior to May 14, 2009, the Fund operated as a "mutual fund trust" as defined in the Income Tax Act (Canada). On May 15, 2009, the Fund completed a Plan of Arrangement whereby the Fund was converted from an income trust to a corporation.

Future income taxes

Future income tax balances are the cumulative amount of tax applicable to temporary differences between the accounting and tax values of the Corporation's assets and liabilities. Future income tax assets and liabilities are measured at the tax rates expected to apply when these differences reverse. Changes in future income tax assets and liabilities due to changes in tax rates are recorded in income in the year the tax rate change is substantively enacted. The Corporation's future income tax liability is expected to be realized in the course of operations.

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Sources of future income tax liabilities are as follows:

As at December 31,	2009	2008
Trading securities	(3,843)	(67)
EdgeStone intangible assets	(7,257)	(2,622)
Deferred compensation arrangements	2,497	1,128
Equipment and leasehold improvements	274	829
Deferred financing costs	592	21
Corporate transaction costs	380	235
Other	261	225
Net future income tax liability	(7,096)	(251)

The components of the income tax expense (recovery) are as follows:

Years ended December 31,	2009	2008
Current	22,269	2,877
Future	7,070	(3,535)
	29,339	(658)

The Corporation, together with its corporate subsidiaries, is subject to tax and their income tax expense (recovery) is reflected in the consolidated financial statements. Income tax expense (recovery) in the consolidated statements of income differs from the amount computed by applying the combined federal and provincial statutory tax rate, which was 33.00% for the year ended December 31, 2009 (2008 - 32.51%) to income before income taxes as follows:

Years ended December 31,	2009		2008	
Income taxes at the combined Canadian federal and provincial tax rate	26,233	33.00%	8,227	32.51%
Increases (decreases) due to:				
EdgeStone intangible assets	8,762	11.02	3,771	14.90
Non-deductible expenses	1,434	1.80	1,382	5.46
Income allocated to unit holders	(2,495)	(3.14)	(16,729)	(66.11)
Income attributable to non-controlling interests	(2,333)	(2.93)	70	0.29
Non-taxable income	(3,663)	(4.61)	(319)	(1.26)
Tax-exempt dividend income	—	—	(1,621)	(6.41)
Non-deductible goodwill impairment	—	—	3,473	13.72
Change in income attributable to taxable entities	1,801	2.27	804	3.18
Other	(400)	(0.50)	284	1.12
Income taxes (recovery) and effective tax rate	29,339	36.91%	(658)	(2.60%)

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19. NON-CONTROLLING INTEREST

Non-controlling interests in subsidiaries consist of the following:

As at December 31,	2009	2008
GMP Holding Partnership	—	31,378
GMP Europe	2,620	2,022
Energy-I Fund	2,573	—
Proprietary Partner L.P.	4,027	—
Other	—	98
	9,220	33,498

On May 15, 2009, concurrent with the closing of the Conversion, the Corporation acquired the remaining 13.13% non-controlling interest in its subsidiary, GMP Holding Partnership.

The non-controlling interest in Energy-I Fund represents the capital contributed by investors of the Energy-I Fund together with the external investors' share of operating losses. During 2009, management determined that the Corporation is the primary beneficiary of the Energy-I Fund, which resulted in the consolidation of the Energy-I Fund in fiscal 2009.

Non-controlling interest in Proprietary Partner L.P. arose from income attributed to partners of Proprietary Partner L.P. as a result of performance fees earned by GMP Investment Management during the year relating to the Alpha Master Fund.

20. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares. Each common share has equal rights, privileges, and entitles the holder to one vote at all meetings of common shareholders. The Corporation is also authorized to issue an unlimited number of preferred shares, issuable in series and up to 6,923 Series A preferred shares. The designation, rights, privileges, restrictions and conditions attaching to the preferred shares will be determined by the directors of the Corporation prior to issue.

Conversion

Pursuant to the Conversion, holders of Fund units and holders of Exchangeable L.P. units received one common share of the Corporation for each Fund unit and/or Exchangeable L.P. unit held. Holders of preferred limited partnership units of GMP Preferred received one Series A preferred share of the Corporation for each preferred limited partnership unit held, having substantially the same terms as the preferred limited partnership units of GMP Preferred.

On May 15, 2009, concurrent with the closing of the Conversion, the Corporation acquired the remaining 13.13% ownership interest in its subsidiary, GMP Holding Partnership, for total non-cash preferred share consideration of \$38,092.

Treasury issuance

Concurrent with the creation of Richardson GMP, the Corporation issued 7,845 and 996 common shares, respectively, to RFGI and certain employees of RPFL for aggregate cash proceeds to GMP of \$86,968. Costs associated with this treasury issuance, net of taxes, were \$624.

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In connection with the completion of these transactions the Corporation, JRSL and RFGL have entered into an investor agreement (the "Investor Agreement") providing for certain rights and restrictions in respect of the common shares of the Corporation, board representation and participation in future financings, as well as certain "standstill" provisions, including a covenant not to vote against any change of control transaction that is supported by the Corporation's board of directors and a majority of the Corporation's shareholders (other than JRSL and its affiliates). JRSL and its affiliates, have the right, through open market purchases, to increase its interests in GMP to 19.9% in the first year following completion of the Transaction and, over a five-year period, to a maximum of 27.4%.

Pursuant to the terms of the Investor Agreement, JRSL and its affiliates are restricted from selling any of the common shares arising from the Transaction until the earlier of a change of control transaction involving GMP and the closing of the sale of Richardson GMP pursuant to a liquidity event, as defined in the Richardson GMP shareholders agreement. The GMP common shares issued to certain employees of RPFL are subject to an escrow agreement made as of November 12, 2009 between JRSL, RFGL, GMP and CIBC Mellon Trust Company. These common shares shall be released from escrow under terms consistent with that of the Investor Agreement.

Preferred shares

On December 18, 2008, the Fund completed a preferred security unit offering, privately placing 6,154 preferred security units which raised gross proceeds of \$40,000. Each preferred security unit consisted of one \$6.50 par value 10% cumulative perpetual non-voting preferred limited partnership unit of GMP Preferred and one warrant to purchase one Fund unit at an exercise price of \$6.50 for five years following the closing date of the offering. The sale of the units resulted in \$38,092 in gross proceeds, prior to transaction costs of \$1,655, and the sale of the warrants resulted in gross proceeds of \$1,908, prior to transaction costs of \$141.

On December 18, 2009, the Corporation redeemed all 6,154 of its Series A preferred shares outstanding at a price of \$7.15 per share (representing a prescribed premium of 10% to the designated capital of each share) and a further sum of \$0.139 per share (representing all accrued and unpaid dividends up to but not including the redemption date), resulting in a total redemption price of \$7.289 per share. A charge of \$7,563 was recorded in retained earnings as a result of the redemption.

Normal course issuer bid ("NCIB")

On November 26, 2008, the Toronto Stock Exchange ("TSX") and the Board of Directors approved the Fund's NCIB to purchase for cancellation up to 4,483 Fund units/common shares, representing 10% of the public float of 44,828 Fund units on November 18, 2008. The Corporation/Fund did not purchase for cancellation any common shares and/or Fund units under the NCIB which expired on November 30, 2009. On March 1, 2010, the TSX and the Board of Directors approved GMP's renewal of their NCIB to purchase for cancellation up to 5,487 common shares, representing 10% of the public float of 54,870 common shares on March 1, 2010. The Corporation is subject to contractual restrictions that have been agreed to with the holders of the Notes, as described in note 17.

21. OPTION PLANS AND WARRANTS

Prior to the Conversion, the Fund had two plans under which options were outstanding. The first plan governed the options issued in exchange for share options as part of the conversion of GMP Capital Corp. into the Fund on December 1, 2005 (the "Replacement Plan"). The second plan was the trust unit and incentive unit option plan (the "New Plan") that was approved by the unitholders of the Fund at the annual general meeting held on April 18, 2006.

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In connection with the Conversion, the Fund's unitholders approved the adoption of a single common share option plan by the Corporation (the "Share Option Plan"). Under the Share Option Plan, the Corporation may grant options to acquire up to 10% of the issued and outstanding common shares to directors, officers, employees, partners and service providers of GMP or any of its subsidiaries. Following the Conversion, no further option-based awards will be granted under the New Plan and the Replacement Plan.

Pursuant to the Conversion, all Fund options and Fund incentive options of GMP Capital Trust outstanding on May 14, 2009 were exchanged for common share options of the Corporation based on the following terms:

- i) Fund unit options with an exercise price greater than \$19.44 were eligible to be exchanged for common share options at a ratio of 2.66 Fund options to 1 common share option with an exercise price equal to the closing price of Fund units on the last trading day prior to the Conversion. These common share options have an exercise price of \$8.09, a new 4-year vesting period and an expiry date equal to the seventh anniversary of the Conversion date. This 2.66-to-1 option exchange resulted in a reduction in the number of options outstanding of 1,258. The revised terms and conditions of these common share options resulted in incremental fair value to the option holders of \$366 which the Corporation will recognize as share-based compensation expense over the new vesting period. The incremental fair value of these options was determined using the Black-Scholes option pricing model on the Conversion date.
- ii) Fund unit options with an exercise price of \$19.44 or less and option holders with Fund unit options with an exercise price greater than \$19.44 that chose not to participate in the 2.66-to-1 option exchange were exchanged at a ratio of 1 Fund option to 1 common share option with the same terms and conditions as the original Fund unit options.

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A summary of the status of the Corporation's Share Option Plan as at December 31, 2009 and the changes during the year then ended is as follows:

Unit option plans	New Plan		Replacement Plan	
	Fund unit options #	Weighted average exercise price \$	Fund unit options #	Weighted average exercise price \$
Balance, December 31, 2008	3,721	19.10	798	9.33
Forfeitures	(75)	20.34	(4)	15.03
Balance, May 14, 2009	3,646	19.07	794	9.30
Unit options exchanged pursuant to Conversion	(3,646)		(794)	
Unit options outstanding subsequent to Conversion	—		—	

Share Option Plan	Common share options #	Weighted average exercise price \$
Unit options exchanged pursuant to Conversion	4,440	17.32
Common share options - 1:1 exchange	2,425	12.79
Common share options - 2.66:1 exchange	757	8.09
Common share options issued	1,076	13.16
Exercise of common share options	(46)	9.26
Forfeitures	(70)	9.67
Balance, December 31, 2009	4,142	12.12

Options outstanding and vested under the Share Option Plan as at December 31, 2009:

Range of exercise prices	Outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life [years]	Vested #
\$5.50	192	5.50	3.94	192
\$8.09	743	8.09	6.37	—
\$8.65 to \$11.01	459	9.80	4.86	459
\$12.15	960	12.15	8.61	240
\$13.15	865	13.15	6.97	—
\$13.25 to \$17.50	841	16.55	6.18	649
\$18.45 to \$23.25	82	20.57	6.95	58
Balance, December 31, 2009	4,142			1,598

As at December 31, 2009, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 5.67% (2008 - 7.05%).

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Share/unit-based compensation expense and contributed surplus

For the year ended December 31, 2009, the Corporation recorded \$4,420 (2008 - \$4,878) in share/unit-based compensation expense with a corresponding increase to contributed surplus. The weighted-average fair value of options issued in 2009 was \$4.90 per common share option (2008 - \$3.10 per Fund unit option).

The Corporation follows the fair value method of accounting recommended by CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*. The weighted-average fair value of the options granted during the years was calculated using the Black-Scholes option pricing model assuming the following weighted-average assumptions:

Years ended December 31,	2009	2008
Risk-free interest rate	2.23%	3.13%
Dividend/distribution yield ^a	1.54%	2.39%
Expected volatility	50.58%	29.60%
Expected option life (years)	4	5

(a) For valuation purposes, the weighted-average distribution yield for options granted prior to May 15, 2009 was reduced on a percentage basis by an equivalent amount of the anticipated distributions less a base distribution.

Warrants

Pursuant to the Conversion, 6,154 warrants to acquire units of the Fund at a price of \$6.50 per unit became exercisable, on a one-for-one basis, for common shares of GMP. During the year ended December 31, 2009, 10 warrants were exercised for 10 common shares of GMP and as at December 31, 2009, 6,144 warrants to acquire common shares of GMP were outstanding.

22. COMMITMENTS AND CONTINGENCIES

Operating leases

The Corporation has entered into lease agreements for premises and equipment for periods up to March 24, 2016. Aggregate future minimum annual lease payments for the fiscal years ending December 31 are as follows:

2010	4,314
2011	3,704
2012	3,284
2013	3,230
2014	2,948
Thereafter	5,816
	<hr/> 23,296

The Corporation is also responsible for its share of operating costs and realty taxes related to these leases.

The Corporation's obligations under operating leases reflect lease arrangements entered into by GMP Securities, EdgeStone and GMP Europe. Operating leases include \$7,167 in total commitments that have been subleased by GMP Securities to Richardson GMP. The subleases have been entered into for a portion of

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the head lease premises for the balance of the term of the head lease at rental rates and terms consistent with the head lease.

Investment commitments

The Corporation has certain investment commitments relating to private equity funds. Amounts to be funded are generally callable at any point prior to the expiration of the commitment period. Amounts may be callable beyond the end of the commitment period up to the amount of original committed capital under specific circumstances. The Corporation has the following unfunded investment commitments as at December 31, 2009:

Fund	Unfunded commitment	Commitment period end date
EdgeStone Capital Equity Fund III, L.P.	2,600	December 16, 2011

EdgeStone received the approval of its limited partners to terminate the commitment period of the EdgeStone Capital Energy Fund partnerships effective December 31, 2009. No further capital calls will be made in respect of any future investments or follow-on investments. The decision was made due to the lack of investment activity in the Energy Fund since its first closing in December 2007. Prior to the termination of the commitment period, the Corporation had an unfunded commitment of \$6,730 relating to the Energy-I Fund.

Pursuant to the Richardson GMP shareholders agreement, in the event Richardson GMP requires additional capital to fund ongoing capital expenditures, ongoing operating expenses or general contingencies, Richardson GMP has the ability to require RFGL and GMP, or in each case, an affiliate thereof, to contribute additional Class B preferred share capital to Richardson GMP (each a "Capital Call"). The maximum aggregate annual amount of such Capital Calls is \$10,000 in respect of fiscal 2010, to be funded jointly by RFGL and GMP. Thereafter, Capital Call amounts will be based on the annual budgeted cash requirements for the relevant fiscal year, provided that RFGL and GMP may at any time mutually agree that the maximum Capital Call amounts shall not apply in respect of one or more Capital Calls.

Other commitments

In connection with the EdgeStone co-investment program, EdgeStone has total commitments to fund cash of \$858 upon capital calls made by the underlying EdgeStone Funds.

In connection with the EdgeStone acquisition, a retention program was established for key employees of EdgeStone. The Corporation has committed to fund the program, such commitment not to exceed \$1,710. As at December 31, 2009, the Corporation has accrued \$1,602 (2008 - \$1,151) related to this commitment.

Contingent liabilities

The Corporation's subsidiaries in the normal course of business are involved in legal proceedings, including regulatory investigations. Contingent litigation loss provisions are recorded by the Corporation when it is probable that the Corporation will incur a loss and the amount of the loss can be reasonably estimated. Management and the Corporation's external legal counsel are involved in assessing likelihood and in estimating any amounts involved. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, the Corporation does not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on the Corporation's financial position or results of operations.

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23. GUARANTEES

The Corporation has entered into various guarantee contracts to support the ongoing operations of GMP Europe. During 2008, the Corporation provided a guarantee to a European bank in connection with credit facilities in the amount of £15,000 to support GMP Europe's intra-day settlements. In addition, the Corporation has provided a guarantee in favour of a U.S. bank in support of GMP Europe's obligations arising from a clearing and custodial agreement and has also guaranteed the lease obligations relating to GMP Europe's office space.

In the normal course of business, the articles of incorporation provide for the indemnification of the Corporation's officers, former officers, directors and former directors against any and all costs, charges and expenses, including amounts paid to settle an action or satisfy a judgement, reasonably incurred in respect of any civil, criminal or administrative action or proceeding in which they are involved by reason of being or having been a director or officer of the Corporation or its subsidiaries.

24. OTHER REVENUE

Other revenue consists of the following:

Years ended December 31,	2009	2008
Performance fee	6,548	—
Carried interest	2,067	194
Brokerage services	1,434	—
Foreign exchange gain	198	4,719
Share of loss of equity accounted investee	(1,519)	—
Other	1,253	1,641
	9,981	6,554

25. NON-OPERATING GAIN

GMP recognized a non-operating gain of \$3,271 in fiscal 2009 as a result of the Transaction disclosed in note 5. The Transaction included a dilution gain of \$11,789 recognized as a result of the dilution of GMP's ownership interest in GMP Private Client. Offsetting this gain is a negative valuation adjustment of \$8,518 recorded following GMP's cash subscription.

Fiscal 2008 amounts relate to a \$5,247 dilution gain recorded following the transactions which occurred in conjunction with the offering of the preferred security units in December 2008. The net proceeds from the issuance of preferred security units were used by GMP Preferred to subscribe for Class A units of GMP Holding Partnership. The issuance of Class A units by GMP Holding Partnership to GMP Preferred diluted GMP's ownership interest in GMP Holding Partnership from 100% to 86.87%. GMP Preferred, at the time, was a VIE, which was not consolidated by GMP. GMP, therefore, recognized a dilution gain on the sale of its 13.13% ownership interest in GMP Holding Partnership to GMP Preferred.

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26. NET INCOME PER COMMON SHARE/UNIT

Net income per common share/unit consists of the following:

Years ended December 31,	2009	2008
Net income	43,135	26,178
Less: Dividends declared on Series A preferred shares	(2,856)	—
Net income available to common shareholders/unitholders	40,279	26,178
Weighted average number of common shares/units outstanding		
Basic		
Common shares/units	65,548	46,430
Exchangeable L.P. units	—	17,616
Common shares/units pledged on share/unit purchase loans	(2,862)	(3,114)
Basic	62,686	60,932
Diluted		
Dilutive effect of common share/unit options and warrants	2,283	258
Dilutive effect of shares/units pledged on share/unit purchase loans	2,862	3,114
Diluted	67,831	64,304
Net income per common share/unit		
Basic	\$0.64	\$0.43
Diluted	\$0.59	\$0.41

For 2009, the calculation of diluted net income per common share/unit excluded 2,275 weighted-average options (2008 - 2,895 weighted-average options) outstanding having a weighted-average exercise price of \$14.18 (2008 - \$21.35) as the exercise price of these options was greater than the average market price of GMP's common shares/units.

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27. FINANCIAL RISK MANAGEMENT

Financial instruments

The categories of financial assets and financial liabilities at December 31, 2009 are as follows:

	Carrying value					Total carrying value	Total fair value (i)
	Held-for-trading	Designated as held-for-trading	Available-for-sale	Loans and receivables	Other liabilities		
Cash and cash equivalents	242,102	—	—	—	—	242,102	242,102
Trading securities	73,271	26,428	—	—	—	99,699	99,699
Available-for-sale securities	—	—	28,901	—	—	28,901	28,901
Receivable from clients	—	—	—	410,805	—	410,805	410,805
Receivable from brokers	—	—	—	100,116	—	100,116	100,116
Other assets	—	—	—	117,715	—	117,715	117,715
Bank loans	—	—	—	—	34,600	34,600	34,600
Obligations related to securities sold short	9,375	—	—	—	—	9,375	9,375
Payable to clients	—	—	—	—	435,630	435,630	435,630
Payable to brokers	—	—	—	—	27,323	27,323	27,323
Payable to issuers	—	—	—	—	117,931	117,931	117,931
Accounts payable and accrued liabilities	—	—	—	—	67,967	67,967	67,967
Other liabilities	—	—	—	—	22,799	22,799	22,799
Long-term debt	—	—	—	—	59,781	59,781	61,254

(i) Available-for-sale securities include the Corporation's investments in the EdgeStone Funds, investments in preferred shares of Richardson GMP and certain privately held securities. These securities do not have a quoted market price and are reported at cost with write-downs to reflect other than temporary impairment in value.

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The categories of financial assets and financial liabilities at December 31, 2008 are as follows:

	Carrying value					Total carrying value	Total fair value (i)
	Held-for-trading	Designated as held-for-trading	Available-for-sale	Loans and receivables	Other liabilities		
Cash and cash equivalents	260,359	—	—	—	—	260,359	260,359
Trading securities	67,280	15,734	—	—	—	83,014	83,014
Available-for-sale securities	—	—	7,198	—	—	7,198	7,198
Receivable from clients	—	—	—	234,463	—	234,463	234,463
Receivable from brokers	—	—	—	69,520	—	69,520	69,520
Other assets	—	—	—	70,667	—	70,667	70,667
Bank loans	—	—	—	—	24,334	24,334	24,334
Obligations related to securities sold short	6,309	—	—	—	—	6,309	6,309
Payable to clients	—	—	—	—	390,962	390,962	390,962
Payable to brokers	—	—	—	—	32,286	32,286	32,286
Payable to issuers	—	—	—	—	42,701	42,701	42,701
Accounts payable and accrued liabilities	—	—	—	—	50,015	50,015	50,015
Distribution payable	—	—	—	—	3,203	3,203	3,203
Other liabilities	—	—	—	—	6,548	6,548	6,548
Long-term debt	—	—	—	—	59,673	59,673	56,411
Agency fee obligation	—	—	—	—	2,070	2,070	2,070

(i) Available-for-sale securities include the Fund's investments in the EdgeStone Funds and other privately held securities. These securities do not have a quoted market price and are reported at cost with write-downs to reflect other than temporary impairment in value.

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The Corporation's management validates that the estimates of fair value are reasonable using a process of obtaining multiple quotes of external market prices and inputs, consistent application of valuation models over a period of time, and the controls and processes over the valuation process. The valuations are also validated by past experience and through the actual cash settlement of contracts. CICA Handbook Section 3862 requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

The following table presents as at December 31, 2009, the level within the fair value hierarchy for each of the financial assets and liabilities measured at fair value:

				2009
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trading securities				
Equity securities	66,118	26,428	—	92,546
Corporate bonds and Government of Canada debt	—	2,927	—	2,927
Broker warrants	—	4,226	—	4,226
Total trading securities	66,118	33,581	—	99,699
Financial liabilities				
Obligations related to securities sold short	8,527	848	—	9,375

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Corporation segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Corporation incurs fair value risk through its trading positions, underwriting activities and portfolio of available-for-sale securities.

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Fair value sensitivity analysis

The following table includes the Corporation's significant financial instruments recorded on the consolidated balance sheet as at December 31, 2009 at fair value and demonstrates the sensitivity of the Corporation's net income and other comprehensive income, to reasonable changes in fair value of those instruments.

	Carry value	Effect of 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Trading securities, net of obligations related to securities sold short	90,324	6,081	(6,081)
Available-for-sale securities (i)	28,901	n/a	(1,936)

(i) Available-for-sale securities do not have a quoted market price and are carried at cost, and, therefore, there is no impact on other comprehensive income resulting from any temporary fluctuation in the market price of the investment. An other-than-temporary decline in the value of the securities is recognized in net income, and the table indicates the impact on net income as a result of a 10% impairment of the securities.

The following table includes the Corporation's significant financial instruments recorded on the consolidated balance sheet as at December 31, 2008 at fair value and demonstrates the sensitivity of the Corporation's net income and other comprehensive income, to reasonable changes in fair value of those instruments.

	Carry value	Effect of 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Trading securities, net of obligations related to securities sold short	76,705	7,454	(7,454)
Available-for-sale securities (i)	7,198	n/a	(714)

(i) Available-for-sale securities do not have a quoted market price and are carried at cost, and, therefore, there is no impact on other comprehensive income resulting from any temporary fluctuation in the market price of the investment. An other-than-temporary decline in the value of the securities is recognized in net income, and the table indicates the impact on net income as a result of a 10% impairment of the securities.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation incurs interest rate risk on its own cash and cash equivalent balances, on the Corporation's client cash balances, cash delivered or received in support of securities borrowing or lending activity, preferred dividends received on its Class A and Class B preferred share investments in Richardson GMP, interest earned on its subordinated loan provided to Richardson GMP and interest paid on its subordinated loan and other bank loans.

All cash and cash equivalent balances mature within three months. The Corporation's subordinated loan payable bears interest at a rate of prime plus 4%. Interest rates on client account cash balances are based on floating interest rates which vary depending on the amount of cash deposited or borrowed by the

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Corporation's clients. The Corporation's preference share investments in Richardson GMP are currently entitled to receive cumulative cash dividends at a rate of prime plus 4%, when declared. The Corporation's subordinated loan provided to Richardson GMP currently bears interest at a rate of prime plus 4%.

Interest rate sensitivity analysis

The table below provides the potential impact of an immediate and sustained 100 basis point ("bp") increase or 25 bp decrease in interest rates on net income applied to the balances outstanding at December 31, 2009. This analysis assumes that all other variables remain constant.

	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 25bp decrease in market interest rates on net income
Cash and cash equivalents	242,102	1,635	(409)
Available for sale securities	20,500	138	(35)
Loans receivable	5,000	34	(8)
Payable to clients, net	24,825	(168)	42
Securities lending and borrowing	47,940	324	(81)
Bank loans	34,600	(234)	58

The table below provides the potential impact of an immediate and sustained 100 bp increase or 25 bp decrease in interest rates on net income applied to the balances outstanding at December 31, 2008.

	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 25bp decrease in market interest rates on net income
Cash and cash equivalents	260,359	2,511	(628)
Payable to clients, net	156,499	(1,510)	378
Securities lending and borrowing	23,962	231	(58)
Bank loans	24,334	(235)	59

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation incurs currency risk primarily on its net investments in foreign subsidiaries which include GMP USA and GMP Europe. GMP Europe is considered financially self-sustaining and conducts its activities primarily in British pounds sterling while GMP USA's operations are fully integrated and are denominated in US dollars. The Corporation does not undertake any hedging of its net investments in its foreign subsidiaries. The Corporation also incurs currency risk on financial instruments held by the operating partnerships of the Corporation denominated in currencies other than their functional currency, which includes cash and cash equivalents, client cash balances and broker receivables and payables.

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Currency risk sensitivity analysis

The table below summarizes the effects on net income and other comprehensive income as a result of a 10% change in the value of the foreign currencies against the Canadian dollar where the Corporation has significant exposure as at December 31, 2009. The analysis assumes all other variables remain constant.

	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income	Effect of a 10% increase in foreign exchange rates on other comprehensive income	Effect of a 10% decrease in foreign exchange rates on other comprehensive income
British pound sterling	255	(255)	2,654	(2,654)
US dollar	388	(388)	n/a	n/a

The table below summarizes the effects on net income and other comprehensive income as a result of a 10% change in the value of the foreign currencies against the Canadian dollar where the Corporation has significant exposure as at December 31, 2008. The analysis assumes all other variables remain constant.

	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income	Effect of a 10% increase in foreign exchange rates on other comprehensive income	Effect of a 10% decrease in foreign exchange rates on other comprehensive income
British pound sterling	n/a	n/a	321	(321)
US dollar	2,847	(2,847)	n/a	n/a
Euro	8	(8)	n/a	n/a

Derivative financial instruments are used by the Corporation primarily to manage foreign exchange risk on pending security settlements in foreign currencies. In addition, the Corporation has entered into forward contracts with clients of Richardson GMP to facilitate their foreign exchange needs. The Corporation has managed these exposures through offsetting forward contracts entered into with Schedule I banks. At December 31, 2009, the Canadian equivalent notional amount of forward contracts outstanding was \$19,478 (2008 - \$23,738). Forward contracts outstanding at December 31, 2009 are as follows:

	Notional amount (in source currency)	Average price	Maturity Date(s)	Fair Value
Sell USD / buy CAD	18,300	1.046	Jan. 4, 2010	92
Sell AUD / buy CAD	192	0.944	Jan. 4, 2010 - Jan. 5, 2010	—
Sell EUR / buy CAD	63	1.511	Jan. 4, 2010	—
Buy GBP / sell CAD	35	1.694	Jan. 4, 2010	—

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Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Corporation is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities are held by the Corporation.

The primary source of credit risk to the Corporation arises when the Corporation extends credit to its clients or to clients of its introducing broker, Richardson GMP, to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. The Corporation faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and the Corporation is unable to recover sufficient value from the collateral held. As at December 31, 2009, the receivable from clients was \$410,805 (2008 - \$234,463) and includes loans receivable from clients of \$224,638 (2008 - \$138,983) and open security transactions of \$186,167 (2008 - \$95,480).

Credit risk is managed in a number of ways. For margin lending, management has established limits that are generally more restrictive than those required by applicable regulatory policies. Additionally, the Corporation manages its credit risk in certain types of trading activities through the establishment of aggregate limits by individual counterparty, reviewing security and loan concentrations and marking to market collateral provided on certain transactions. During 2009 and historically, the Corporation has not incurred any material loss arising from a counterparty default.

The maximum exposure to credit risk relating to client and broker receivables, accounts receivable balances, employee and other loans receivables and share loan receivables without consideration of collateral is represented by the carrying value on the Corporation's consolidated balance sheets as at December 31, 2009.

Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet a demand for cash or fund its obligations as they come due. The Corporation's management oversees the Corporation's liquidity to ensure the Corporation has access to enough readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations both under normal and stress conditions.

	Carrying value	Contractual Term to Maturity
Bank loans	34,600	Due on demand
Payable to clients	435,630	Due on demand
Payable to brokers	27,323	Due on demand
Payable to issuers	117,931	Due on demand
Accounts payable and accrued liabilities	67,967	Due within three months
Other liabilities	44,839	Due within twelve months
Long-term debt	59,781	Subject to indenture terms (<i>note 17</i>)
Total	788,071	

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The Corporation holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. All cash and cash equivalent balances are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining maturities of three months or less. There has been no change to the Corporation's cash management practices during fiscal 2009. The Corporation's inventory of trading securities, which results from its facilitation of trades for its institutional clients and its own proprietary holdings, is recorded at market value. As such, certain positions have experienced increases in value during fiscal 2009 as a result of rising equity markets. Receivables and payables from brokers and dealers represent open transactions which generally settle within the normal three-day settlement cycle and also include collateralized securities borrowed and/or loaned in transactions that can be closed on demand within a few days. Client receivables are secured by readily marketable securities and are reviewed on an ongoing basis for impairment in value and collectability.

Capital management

The Corporation requires capital to fund existing and future operations, future dividends and regulatory capital requirements. The liquidity of the Corporation's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. The Corporation's policy is to maintain sufficient and appropriate levels of capital through a variety of sources.

The Corporation's capital structure is comprised of common shares, contributed surplus and retained earnings, and is further complemented by subordinated loans and long-term debt. The following table summarizes the Corporation's capital as at December 31, 2009:

Type of capital	Carrying amount
Common shares	292,663
Contributed surplus	15,285
Retained earnings	41,143
Subordinated bank loans	17,500
Long-term debt	59,781
	<hr/> 426,372

Certain of the Corporation's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. GMP Securities is a registered dealer subject to regulation primarily by the IIROC. Sources of financial statement capital for IIROC regulatory capital purposes for GMP Securities include both unitholders' equity and subordinated loans. GMP USA is registered as a broker dealer in the United States and is subject to regulation primarily by the Financial Industry Regulatory Authority. GMP Europe is authorized and regulated by the Financial Services Authority in the United Kingdom and is a member of the London Stock Exchange. GMP Investment Management is a Portfolio Manager and Exempt Market Dealer and is subject to regulation by the Ontario Securities Commission.

Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements. Compliance with these requirements may require the Corporation to keep sufficient cash and other liquid assets on hand to maintain regulatory

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capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of a cash dividend. At December 31, 2009, the Corporation's subsidiaries were in compliance with their local capital requirements.

The Corporation's long-term debt is discussed in note 17 and the Corporation's subordinated loan facility is discussed further in note 14.

28. SEGMENTED INFORMATION

The Corporation's segments include three business segments and a Corporate segment. The business segments, which include Capital Markets, Wealth Management and Alternative Investments are based upon the products and services provided and the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. The Corporate segment includes amortization related to business acquisitions and other corporate expenses which are not specifically allocated to the three business segments. The Corporate segment also includes the impact of consolidating VIEs where the Corporation has determined it is the primary beneficiary.

Inter-segment revenue and expenses are not significant and are eliminated in the Corporate segment. Asset information by segment is not reported since the Corporation does not produce such information for internal use.

The Wealth Management segment includes GMP Private Client's results up to November 11, 2009 on a fully consolidated basis, and the Corporation's proportionate share of loss from its equity accounted investee, Richardson GMP, for the period from November 12, 2009 to December 31, 2009 reported in revenue.

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The following table presents selected financial results for the three business segments and the Corporate segment for the years ended December 31, 2009 and 2008:

	Capital Markets		Wealth Management		Alternative Investments		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	269,645	224,413	37,398	49,591	40,498	22,158	(2,913)	(4,220)	344,628	291,942
Employee compensation and benefits	134,902	127,427	27,911	31,900	13,578	13,196	7,716	1,756	184,107	174,279
Selling, general and administrative	39,043	39,291	13,073	14,727	5,839	4,726	1,793	(1,729)	59,748	57,015
Interest	1,958	2,415	426	4,415	65	166	5,904	5,128	8,353	12,124
Depreciation and amortization	2,136	2,909	1,154	1,543	240	318	12,667	13,012	16,197	17,782
Operating earnings (loss)	91,606	52,371	(5,166)	(2,994)	20,776	3,752	(30,993)	(22,387)	76,223	30,742

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Revenue by geographic location

For geographic reporting purposes, the Corporation's segments are grouped into Canada, the United States and Europe. Transactions are primarily recorded in the location that corresponds with the geographic location of the client. The following table presents the revenue of the Corporation by geographic location.

Years ended December 31,	2009	2008
Canada	315,453	253,571
United States	11,623	24,271
Europe	17,552	14,100
	344,628	291,942

29. NET CHANGE IN NON-CASH OPERATING ITEMS

The net change in non-cash operating items consists of the following:

Years ended December 31,	2009	2008
Trading securities	(16,685)	58,248
Available-for-sale securities	(3,197)	(2,984)
Receivable from clients	(176,154)	142,974
Receivable from brokers	(30,596)	11,093
Employee and other loans receivable	2,078	(17,984)
Other assets	(41,336)	(9,051)
Deferred costs	685	(3,723)
Obligations related to securities sold short	3,066	(6,007)
Payable to clients	44,668	(16,561)
Payable to brokers	(4,963)	4,449
Payable to issuers	75,230	(14,738)
Accounts payable and accrued liabilities	23,106	(10,632)
Future income taxes	(1,774)	1,594
Agency fee obligation	(414)	(1,088)
Other liabilities	36,476	(84,586)
	(89,810)	51,004